

VZCZCXRO1668  
RR RUEHCD RUEHGD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM  
DE RUEHME #1429 0751812  
ZNR UUUUU ZZH  
R 161812Z MAR 06  
FM AMEMBASSY MEXICO  
TO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHC/SECSTATE WASHDC 9685

UNCLAS MEXICO 001429

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [EFIN](#) [EINV](#) [ECON](#) [EPET](#)

SUBJECT: THE COMPETITIVENESS FORUM: A FRANK LOOK AT  
MEXICO'S CHALLENGES AND OPPORTUNITIES

REF: MEX 06086

¶1. SUMMARY. The Special Commission for Competitiveness and Regional Development for the Mexican Chamber of Deputies held a forum to discuss the "Agenda to Promote the Competitiveness of the Nation" on March 7-9 in Mexico City. Attendees heard a wide range of viewpoints regarding the challenges the next administration will confront in order to raise the competitiveness of the Mexican economy, especially in light of international competition. Most of the speakers agreed that there is no panacea for enabling the Mexican economy to compete more effectively in the global marketplace, but instead positive change will depend upon durable political leadership with the ability and will to enact difficult reforms, foster a new openness to foreign investment, and expand educational and social opportunities to all. The attendees heard from representatives of the three leading presidential candidates, business leaders, government officials, and political analysts. END SUMMARY.

MORE COMPETITION NEEDED

¶2. Most of the representatives agreed that "crony capitalism" and the lack of competition in many sectors of the Mexican marketplace had resulted in higher prices, little innovation, and a generally weaker Mexican economy versus the economies of global competitors. Guillermo Ortiz Martinez, Governor of the Bank of Mexico, flatly stated that Mexico's ability to compete has been hurt by sectors of the economy controlled by monopolies. Mr. Ortiz pointed out the telecommunications sector, in which 94 percent of fixed telephone lines, and 80 percent of cellular services are controlled by one company (TelMex), thereby ensuring high prices and poor service. Political scientist Denise Dresser said that policymakers needed to ensure economic and educational opportunities for all instead of the few "at the top of the pyramid". She also demanded that policymakers enact real reform, instead of superficial agreements such as the Chapultpec Accord (reftel), an understanding between business and political leaders to support a climate of economic growth and increased investment (reftel which she claimed was good for appearances but lacked substance. According to Dresser, "we cannot allow the wealth to be concentrated in the hands of the Azcarragas (owner of Televisa)...the Slims (owner of TelMex), at the expense of the Sanchez."

SLIM RESPONDS

¶3. Responding to criticism from Ortiz, Dresser, and others, Carlos Slim, the owner of TelMex and Mexico's richest man, rejected the notion that his company stifles competition and is to blame for the low competitiveness of the Mexican economy. Slim stated that Ortiz was responsible for the problem, by instituting high interest rates which inflate the

value of the peso. Slim also charged that Ortiz was a member of a group of policymakers who protect the electricity monopoly's high rates, in order to obtain revenue for public funding.

#### ENERGY SECTOR REFORM

-----

14. Reform of the energy sector was an important feature of all three presidential candidates' plans. Nearly every speaker at the con